



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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JUL 10 2009

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
NAVAL INSPECTOR GENERAL
COMMANDER, MARINE CORPS SYSTEMS COMMAND

SUBJECT: Department of Defense Office of Inspector General Report No. D-2009-041, "The Expeditionary Fire Support System and Internally Transportable Vehicle Programs," January 14, 2009

We are revising specific pages in the subject report to address two errors identified after publishing. The revisions are minor and do not affect the overall findings, conclusions, or recommendations presented in the report. We are incorporating the update in the electronic version of the report that is located on our Web site at <http://www.dodig.mil/Audit/reports/index.html>.

We are revising the last sentence of the second paragraph in the "EFSS Operational Testing" section on page 7 to read "A May 16, 2008, MCOTEA follow-on report concluded the EFSS was operationally effective and operationally suitable". We had incorrectly stated that MCOTEA report was dated May 19, 2008. In addition, we are revising the first sentence of the second paragraph in the "Growth in the Unit Cost of the EFSS" section on page 10 to read "In addition to Table 5 EFSS unit costs, the average EFSS unit cost for purchase of 66 production systems and 3 System Development and Demonstration Units over a base year and 6 option years was \$578,782 at contract award." We had incorrectly stated that the EFSS unit cost was \$578,872 at contract award. Please reference the attached as a replacement pages for any copies of the subject report in your possession. We have revised only the pages indicated; no other information in the report has been modified. You can also access a complete revised version on our Web site as indicated in the previous paragraph.

We did not request comments in the original transmittal of this report, and since the revisions made were minor in nature, we do not request comments on this revision.

If you have any questions on the revisions, please contact me at (703) 604-9200.

A handwritten signature in black ink that reads "Richard B. Jolliffe".

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management

Attachments

EFSS Operational Testing

Because of system development problems, the MCOTEA did not begin the IOT&E for the EFSS until May 2007. A September 2007 MCOTEA operational test report concluded the EFSS was “operationally effective with limitations” and “operationally suitable with limitations.” The operational test report recommended that all development testing be completed before fielding and that other areas of concern identified in the operational test be addressed and retested.

MCOTEA performed a follow-on operational test and evaluation on the EFSS from February through March 2008. A May 16, 2008, MCOTEA follow-on report concluded the EFSS was operationally effective and operationally suitable.

ITV Operational Testing

In the spring of 2007, the Marine Corps determined the ITV was not ready for IOT&E. As a result, MCOTEA performed an ITV operational assessment from May through July 2007. A September 2007 MCOTEA operational assessment report noted that the ITV met many effectiveness and suitability requirements but did not meet other requirements and warranted further testing. The MCOTEA operational assessment report stated that, even though the ITV met KPP requirements, the ITV was unreliable.

MCOTEA began the IOT&E for the ITV in February 2008. In March 2008, the ITV successfully completed IOT&E, and a June 5, 2008, MCOTEA report concluded the ITV was operationally effective and operationally suitable.

EFSS and ITV Schedule and Cost Changes

As shown above, MCOTEA expressed concerns about the quality of production of both the EFSS and ITV systems. The development of the EFSS and ITV systems was caught in a cycle of design, test, and redesign and test. EFSS and ITV system redesign affected many major subsystems of the vehicles, which needed to be modified to meet system performance requirements. These systems include the vehicle suspension, rear steering, transmission, power steering, and power brakes. In August 2007, the EFSS and ITV program office completed production readiness reviews and physical configuration audits. At that time, the EFSS and ITV had not completed developmental or operational testing, or incorporated design changes to address safety, reliability, and performance issues in production detailed design drawings.

EFSS and ITV problems meeting the identified system requirements have caused repeated schedule delays and cost increases. Now that the EFSS and ITV programs have passed operational testing, the program office must ensure that design changes are properly incorporated in the production process and that the systems are subject to new physical configuration audits and production readiness reviews. In addition, previously produced EFSS and ITV systems should be brought up to the new configuration.

EFSS and ITV Schedule Changes

The EFSS schedule requirement goals have slipped many times because of delays in meeting the system performance requirements. The original November 4, 2004, EFSS

Growth in the Unit Cost of the EFSS

Numerous design deficiencies, design changes, and schedule delays have increased the unit cost of the EFSS. Table 5 shows the increase in the EFSS unit cost from the contract award date of November 10, 2004, through July 30, 2008.

Table 5. Increases in EFSS Unit Cost

| Contract Line Item | November 10, 2004 | | July 30, 2008 | | Percent Change |
|---|-------------------|-------------|---------------|-------------|----------------|
| | Quantity | Unit Cost | Quantity | Unit Cost | |
| EFSS System Development and Demonstration Units | 3 | \$1,476,792 | 3 | \$1,591,115 | 8 |
| EFSS Low-Rate Initial Production | 6 | 811,783 | 6 | 990,466 | 22 |
| EFSS Limited Production | 12 | 511,261 | 6 | 1,077,726 | 111 |

In addition to Table 5 EFSS unit costs, the average EFSS unit cost for purchase of 66 production systems and 3 System Development and Demonstration Units over a base year and 6 option years was \$578,782 at contract award. As of July 2008, EFSS unit cost for the same systems had risen to \$1,077,726, an increase of 86 percent. EFSS development problems also resulted in the purchase of an additional system design development and demonstration unit at a cost of \$662,283.

MCSC program officials stated that the increase in the EFSS unit cost was related to the high cost and schedule risk caused by development problems and design changes required to meet system requirements. The officials noted that, because the design has been validated by operational testing, the prices should not increase for full-rate production and could even decrease. However, the program office did not have a current validated estimate for the EFSS full-rate production costs.

Growth in the Unit Cost of the ITV

Numerous design deficiencies, design changes, and schedule delays have increased the unit cost of the ITV. Table 6 shows the increase in the unit cost for the ITV from the contract award date of November 10, 2004, through July 30, 2008.

Table 6. Increases in ITV Unit Cost

| Contract Line Item | November 10, 2004 | | July 30, 2008 | | Percent Change |
|--|-------------------|-----------|---------------|-----------|----------------|
| | Quantity | Unit Cost | Quantity | Unit Cost | |
| ITV System Development and Demonstration Units | 4 | \$274,544 | 4 | \$224,500 | -18 |
| ITV Low-Rate Initial Production | 8 | 186,266 | 15 | 296,214 | 59 |
| ITV Limited-Rate Initial Production | Not Applicable | | 66 | 208,938 | Not Applicable |